



DRAFT

**ANTI-FRAUD AND CORRUPTION
FRAMEWORK**

November 2008

Anti-Fraud and Corruption Framework.

1. GENERAL OVERVIEW

1.1 Introduction

1.1.1 Nottingham City Homes takes it's duty to ensure proper stewardship of public money very seriously The Company is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption, whether these are attempted from within or outside the organisation.

1.1.2 The aim of effective anti-fraud and corruption management is to manage the risk of fraud and the potential for damage to the Company or its reputation while also protecting its assets. Successful organisations manage the risk of fraud and corruption with the context of the explicit and effective delivery of core services and achievement of its objectives.

1.1.3 For the purposes of this document, fraud and corruption are defined as follows:

- Fraud – *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.*

In addition fraud can also be defined as *“the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to mislead or misrepresent”.*

- Corruption – *“the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.*

In addition, this Framework covers *“the failure to disclose an interest in order to gain financial or other pecuniary gain.”*

1.2 Background

1.2.1 Good Corporate Governance requires that the Company must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Board members and employees) and outside the organisation. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. The policy statements within this Framework, however, will not

compromise the Company's commitment to Equal Opportunities or the requirements of the Human Rights Act 1998 and other relevant statutory provision.

- 1.2.2** For the purposes of this document only, employees shall be defined as workers serving under a contract of service as well as workers serving under a contract for service and shall be construed accordingly.
- 1.2.3** In carrying out its functions and responsibilities, the Company has always adopted a culture of openness and fairness and has expected that its elected Members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards have also been expected from organisations that have dealings with the Company such as suppliers and contractors.
- 1.2.4** Fraud is used to describe a multitude of offences including, deception, forgery, theft, misappropriation, collusion, bribery, conspiracy and false representation of material facts. Corruption arises when a person receives any benefit which influences them and causes them to act differently when conducting Company business or commits a criminal act such as money laundering.

Comment [ADM1]: This is just to impose the same responsibilities under this document on agency workers/consultants not just our employees

2. SCOPE AND OBJECTIVES

2.1 Purpose and Scope

- 2.1.1** In administering its responsibilities to protect public funds and assets, the Company has developed an Anti-fraud and Corruption Framework to deter theft, fraud and corruption from both inside and outside the organisation.
- 2.1.2** This Framework aims to protect Company funds and assets by requiring compliance with rules, regulations, procedures, and guidance designed to encourage the prevention of theft, fraud or corruption, as well as promote detection and identify clear responsibility for investigations.
- 2.1.3** The purpose of the Framework is to set out why anti-fraud and corruption management is important, in what context it should be seen and why it needs to be an intrinsic part of the way in which the organisation operates now and in the future.
- 2.1.4** This Framework is based on the seven Nolan Principles for Public Life, best practice as defined by the Audit Commission, and legal requirements including that incorporated in the Public Interest

Disclosure Act 1998, the Competition Act 1998, the Money Laundering Regulations 2007, the Fraud Act 2006 and the Public Contracts Regulations 2006.

- 2.1.5** Nottingham City Homes recognises that the risk of fraud and corruption cannot be eliminated completely within an organisation. However, the Company is already in a strong position due to the controls that have already been put in place, including Standing Orders, notably the Financial Regulations, and codes of conduct for Board members and employees.
- 2.1.6** The overall responsibility for anti-fraud and corruption management within the Company lies with the Board and although the Audit Committee and senior managers play an important role in the management and review of anti-fraud and corruption arrangements, the Board can not avoid or delegate its overall responsibility.
- 2.1.7** The Board is also responsible for ensuring that there is a clear and well-communicated policy covering the prevention, detection and reporting of fraud, and the recovery of its assets and that it is reviewed regularly.
- 2.1.8** This Framework will continue to evolve and develop to encompass changes to legislation, procedures and accountability. Substantive amendments will be reported to the Company Board on an annual basis for the endorsement of Board members.
- 2.1.9** The Anti-Fraud and Corruption Framework should be read and followed in conjunction with the Company's Standing Orders Part 2: Financial Regulations, notably the following sections:
- 1.3 – Responsibilities;
 - 2.12 – Fraud, Corruption and Irregularity;
 - 3.5 – Money Laundering;
 - 4.5 – Petty Cash;
 - 7.7 – Security; and
 - 7.8 – Gifts and Hospitality.
- 2.1.10** Compliance with the Financial Regulations is compulsory for all staff connected with the Company and failure to observe Financial Regulations may result in disciplinary action being taken (see Financial Regulations 1.3.9).

2.2 Objectives and Success Factors

- 2.2.1** The Company aims to operate and maintain a clear system of integrated policies and procedures to assist in preventing theft, fraud, and corruption, and hence minimise losses.

- 2.2.2** The Company will maintain an overview of its arrangements and promote good practice through the use of regulation and various employee and Member Codes.
- 2.2.3** The Company will put in place procedures to enable members of the public and employees to raise concerns in the knowledge that the concerns will be properly and thoroughly investigated.
- 2.2.4** The Company will publicise, as appropriate, incidents of fraud and corruption as well as impose sanctions and seek redress where appropriate.
- 2.2.5** The critical success factors for effective anti-fraud and corruption management primarily include:
- Clearly identified responsibilities for employees, senior management and Board Members;
 - An agreed and effective Anti-fraud and Corruption Framework;
 - Establishment of adequate procedures and controls across the organisation designed to prevent irregularities and detect possible fraudulent activities;
 - Regular review of the Company's arrangements for the prevention and detection of fraud by internal audit;
 - Establishment of a robust process for reporting and recording instances of fraud and corruption i.e. a complete and up to date Fraud Register;
 - Regular review of the Fraud Register and monitoring of the actions taken to investigate and prosecute fraud and/or address control failures, by the Audit Committee.

3. POLICY

3.1 Introduction

- 3.1.1** The objective of any policy is to provide consistent guidance to people in the organisation. The policy provides a set of guidelines and requirements that reflect culture and values, and are reviewed and changed as needed. The policy should be supported by robust and comprehensive processes and procedures.
- 3.1.2** The Anti-Fraud and Corruption Framework policy establishes how we will deliver the resulting portfolio of programmes and processes.
- 3.1.3** The purpose of the anti-fraud and corruption policy is to:
- Raise awareness of anti-fraud and corruption and embed it in the culture of the Company;

- Establish the relative responsibilities for anti-fraud and corruption measures within NCH and the procedure for escalating instances of fraud; and
- Instigate systems for identifying, monitoring, measuring and controlling possible frauds or irregularities and recording individual cases.

3.1.4 The policy is based on a series of inter-related procedures designed to frustrate any fraudulent or corrupt act. These cover:

- **Culture** (Section 3.2);
- **Prevention** (Section 3.3);
- **Detection and Investigation**(Section 3.4); and
- **Training** (Section 3.5).

3.2 Culture

3.2.1 The culture of the Company has always been one of openness, honesty and opposition to theft, fraud or corruption and the core values of the Company reflect this e.g. Tell the Truth and Be Fair. The culture of the Company therefore supports the opposition of fraud and corruption.

3.2.2 The prevention and detection of fraud and corruption and the protection of the public purse are the responsibilities of everyone, both internal and external to the organisation. The Company must develop a culture of anti-fraud and corruption at all levels and in all parts of the Company so that it forms part of the every day fabric of the organisation.

3.2.3 There is a requirement, because of the use of public monies, that all individuals and organisations associated in any way with the Company will act with integrity, without thought or actions involving theft, fraud or corruption.

3.2.4 Board members, Directors, senior officers and employees at all levels are expected to lead by example in ensuring the adherence to rules and that all procedures and practices are effective, legally sound, honest and supported by well documented controls.

3.2.5 The Company's employees are an important element in the organisation's stance on theft fraud and corruption. They are encouraged through established procedures detailed in the Company's Standing Orders, Financial Regulations, HR Handbook, Codes of Conduct and the Confidential Reporting Code (the organisation's Whistleblowing procedure) to raise any concerns that they may have on theft, fraud or corruption issues where they are

associated with the Company's activities. The Company will support employees in bringing such issues to its notice.

- 3.2.6** Employees can raise such issues in the knowledge that they will be treated in confidence and properly investigated. The Company's Confidential Reporting Code provides further details and guidance for employees dealing with such issues, notably including sections on:
- Safeguards and confidentiality;
 - Anonymous allegations;
 - How to raise a concern;
 - How the Company will respond; and
 - How the matter can be taken forward.
- 3.2.7** Concerns must be raised when Members, employees or the public reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur in the future:
- A criminal offence;
 - A failure to comply with a statutory or legal obligation;
 - Improper or unauthorised use of public or other official funds;
 - A miscarriage of justice;
 - Maladministration, misconduct or malpractice;
 - Endangering of an individual's health and safety;
 - Damage to the environment; and
 - Deliberate concealment of any of the above.
- 3.2.8** The Company will respond to all allegations as outlined in the 'How the Company will respond' section of the Confidential Reporting Code and in accordance with the requirements of the Financial Regulations.
- 3.2.9** It is however, important that staff avoid possible abuse of the reporting process. If allegations are unfounded and malicious the reporting of them by employees will be considered a serious disciplinary matter.
- 3.2.10** When fraud or corruption have occurred because of a breakdown in the Company's systems or procedures, the Company will ensure that appropriate improvements in systems of control are implemented to prevent such instances reoccurring.
- 3.2.11** If employees feel that they are not satisfied with the Company's response to their concerns, they have the right to refer the issue to external agencies. Possible contact points are listed in the 'How the matter can be taken further' section of the Confidential Reporting Code.

3.2.12 Members of the public are also encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Company's compliments, comments and complaints procedure.

3.3 Prevention

Employees

3.3.1 The Company recognises that a key preventative measure in counteracting theft, fraud or corruption, is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. In this regard temporary and contract staff shall be treated in the same manner as permanent staff.

3.3.2 Procedures for the recruitment of employees are detailed in the 'Code of Conduct for Employees' and 'Appointment of Staff' sections of the HR Handbook. Only employees who have attended in-house recruitment and selection training should be involved in recruitment.

3.3.3 Where references are requested, the candidate's suitability for the post needs to be in accordance with the relevant employee job and person specifications. Honesty and integrity is expected to form part of all specifications across the Company, especially if the post includes responsibility for, or involvement with, financial matters.

3.3.4 Employees of the Company are expected to abide by the organisation's Code of Conduct for Employees. The Code is included in the HR Handbook. The requirement to observe the Code of Conduct is contained within the disciplinary procedure that forms part of the contract for all employees. Breaches of the Code of Conduct are contained within the Company's disciplinary procedures. In addition, if they are members of a professional body, employees are expected to also follow the Code of Conduct relating to their professional qualifications.

3.3.5 The Code of Conduct includes the requirement for employees to declare pecuniary interest in contracts as prescribed in Section 117 of the Local Government Act 1972.

Suppliers

3.3.6 The Company is under a mandatory obligation to remove from its select lists any supplier of work, goods, materials or services that has been found to infringe 'the Chapter 1 prohibition' of the Competition Act 1998 as it relates to anti-competitive agreements, decisions and concerted practices.

3.3.7 The Company is also under a mandatory obligation to exclude suppliers of work, goods, materials or services, from bidding for public sector contracts under the EU public procurement regime where they have been convicted of certain offences as detailed in the Public Contracts Regulations, 2006.

3.3.8 The Company must enforce the obligations set out in 3.3.6 and 3.3.7 above, when involved with the procurement of work, goods, materials or services. Guidance on enforcement is available within 'Procedural Guidance Note: Competition Act 1998 and Public Contracts Regulations 2006'.

Board members

3.3.9 Board members are required to operate within:

- The provisions of the Management Agreement with the Nottingham City Council;
- The Company's Memorandum and Articles of Association;
- The Company's Standing Orders;
- The Code of Conduct adopted by the Company; and
- Other Company Member/officer protocols.

3.3.10 These documents can be found on the intranet or at the Company's Registered Office and their existence should be communicated to all new starters, including Board members, during their induction. They include requirements for Board members to register various interests, including employment and business interests, together with procedures to ensure that Board members are not involved in matters where they have a conflict of interest.

3.3.11 The Declaration of Interests by Board members and officers is a standing agenda item at the following Company meetings:

- Board;
- Human Resources Committee;
- Audit Committee; and
- Performance and Regulatory Committee.

3.3.12 Breaches of Company requirements may be referred to the Board's Conduct Panel in accordance with the Company's Articles and Governance Standing Order and /or to the Independent Standards Board for England, which has wide powers, including the power to disqualify a Board member found to be in breach of the Company's Codes.

3.3.13 Board members should raise any concerns about theft, fraud or corruption through the avenues detailed in this policy. However, Members who raise unfounded or malicious allegations will be in breach of the Company's code and held accountable for their actions by the Board.

Systems

3.3.14 The Chief Finance Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Company's financial affairs and has developed Standing Orders and Financial Regulations to assist in discharging this responsibility. In addition, there is a requirement to comply with the Accounts and Audit Regulations 1996 and 2003, the Audit Commission Act 1999 and the Local Government Act 2003 relating to accounting records, control systems and audit.

3.3.15 The Company's Standing Orders: Part 2 – Financial Regulations require employees, when dealing with the organisation's financial affairs, to act in accordance with sound practices as well as outlining systems, procedures and the responsibilities of employees. Employees who are involved with, or have a responsibility for, financial matters are required to attend timely and relevant training events which promote and endorse the key requirements of the Financial Regulations.

3.3.16 Executive Directors are responsible for the financial systems in their Directorates as well ensuring that the financial activities within their Directorates are managed as prescribed by paragraph 1.3.5 of the Financial Regulation.

3.3.17 The Company has developed and is committed to continuing to develop systems and procedures that incorporate efficient and effective internal controls as well as including adequate segregation of duties. Their existence and effectiveness is independently monitored and assessed by the Company's internal auditors, who carry out a comprehensive programme of annual audits targeted at key risk areas. Audit plans, and the associated final audit reports, are approved and monitored by the Audit Committee and the Director of Finance, ICT and Governance on a regular basis.

3.3.18 The Company has revised its Financial Regulations to ensure it acts in compliance with the Money Laundering Regulations 2007 (see Financial Regulation section 3.5) and has imposed a maximum payment limit of 15,000 Euros in respect of any transaction(s) executed in a single operation or several operations which appear to be linked.

3.3.19 Executive Directors are responsible for ensuring that employees handling cash transactions comply with the Company's Banking and Cash Handling Procedures at all times and are aware of the requirements of the following:

- Financial Regulations;
- Money Laundering Regulations 2007; and
- The Proceeds of Crime Act 2002.

3.3.20 Line Managers are responsible for ensuring that all petty cash floats within their service areas are held securely, that access to cash is restricted and that employees responsible for handling and administering petty cash comply with the Company's Petty Cash Procedures.

Combining with Others

3.3.21 Arrangements are in place, and continue to develop within the organisation, to encourage the exchange of information between the Company and other Agencies on national and local fraud and corruption activity. These include:

- The Police;
- The Audit Commission (National Fraud Initiatives);
- The Audit Commission through review and through the distribution of fraud warnings;
- National Anti-Fraud Network;
- The Benefits Agency (Housing and Company Tax Benefits);
- Local Authorities Investigating Officers Group (LAIOG); and
- Company's internal and external auditors;

3.3.22 The National Fraud Initiative (NFI) is part of the statutory audit process undertaken by the Audit Commission. Local Government, Health and other public bodies are required to provide data from key systems which is cross matched to identify inaccuracies or potential fraud. These arrangements provide a valuable means of combating potential criminal activity of a fraudulent nature against the Company and other public sector bodies.

3.3.23 Such collaboration has been beneficial in contributing to reducing the risk of external fraud and corruption within the organisation and the Company shall continue to actively participate in the NFI in the future.

3.4 Detection and Investigation

- 3.4.1** The number and extent of preventative measures, particularly internal control systems within the Company, have been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud and corruption.
- 3.4.2** It is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to be taken when there is evidence that theft, fraud or corruption may be in progress.
- 3.4.3** Despite the best efforts of managers and auditors, many internal frauds are discovered by chance or third party information, and the Company has in place arrangements to ensure that such information is properly dealt with, as set out in Section 3.2.
- 3.4.4** An appropriate reporting procedure is essential as it ensures:
- The consistent treatment of information regarding any suspected theft, fraud, or corruption;
 - An effective investigation by an experienced audit team or appropriate direction provided by that team; and
 - The proper implementation of a structured response to any suspected act of theft, fraud or corruption.
- 3.4.5** Where employees become aware of possible fraudulent activity or irregularities either within the Company or in relation to its relationship with partners or other stakeholders, such instances should be reported to the relevant Executive Director and the Director of Finance, ICT and Governance.
- 3.4.6** Paragraph 2.12.4 of the Financial Regulations documents how the Director of Finance, ICT and Governance shall notify the following officers/Members of any such irregularities or suspected irregularities:
- Chief Executive;
 - Company Secretary;
 - The Chair of the Audit Committee;
 - Company's internal auditors; and
 - The City Council's Section 151 Officer (in accordance with the requirements of the Management Agreement).
- 3.4.7** If suspected irregularities potentially involve the Chief Executive and/or the Director of Finance, ICT and Governance then the Chair of the Board and the Chair of the Audit Committee shall be notified.
- 3.4.8** The Company's Confidential Reporting Code is intended to encourage and enable employees to raise serious concerns within the Company rather than overlooking a problem or 'blowing the whistle' outside. However, if employees do not feel that any member

of the senior management team can be approached or that the matter should be raised outside the Company, then such instances should be reported to the following as required:

- Company's internal or external auditors;
- Local citizen's advice bureau;
- Relevant professional bodies or regulatory organisations; and
- The Police.

- 3.4.9** Whenever any matter arises which involves, or is thought to involve, the fraudulent misappropriation of cash, such instances should be brought to the attention of the Company's internal auditors.
- 3.4.10** Exit interviews shall ensure that where employees leaving the organisation are aware of possible fraudulent activity, other irregularities or breakdowns in internal control which could lead to such instances occurring, these are identified and brought to the attention of management.
- 3.4.11** Employees may invite trade union representative or a work colleague to be present during any meetings or interviews in connection with concerns they have raised about possible fraudulent activity or irregularities within the organisation.
- 3.4.12** The investigation of suspected internal irregularity such as fraud or corruption is normally carried out or directed by the Company's internal auditors on behalf of the Director of Finance, ICT and Governance in accordance with Financial Regulation 2.12.5.
- 3.4.13** The Director of Finance, ICT and Governance has a responsibility for deciding on the course of fraud investigations and, together with the Company Secretary, ensuring that evidence produced for the purposes of any court proceedings, resulting from subsequent investigations, is admissible in evidence.
- 3.4.14** Depending on the nature and anticipated extent of the allegations, internal auditors will normally work closely with management and other agencies such as Nottinghamshire Police Fraud Squad to ensure that all allegations and evidence is properly investigated and reported upon.
- 3.4.15** If the Director of Finance, ICT and Governance considers that a loss may have occurred as a result of theft, irregular expenditure, or fraud, they shall, in consultation with the Chief Executive, involve the Police. The Company will normally ask the Police to investigate whenever financial impropriety is discovered.
- 3.4.16** Where a Police investigation is running concurrently with an internal investigation, the requirements of the Police investigation will take

precedence over the internal investigation. This is necessary to minimise any impact the internal investigation has on the Police investigation and the integrity of the evidence collected.

- 3.4.17** On occasions, the Company's external auditors may also carry out investigation into suspected fraud and corruption and will do so in accordance with their established procedures.
- 3.4.18** Where the outcome of an investigation indicates improper behaviour by an employee the Company's Disciplinary Procedures will be used and followed regardless of whether or not the matter has been referred to the Police.
- 3.4.19** The Company will seek redress and recompense from any individual proven to have committed a fraud against the Company. In addition, the Company will seek to publicise proven fraud to name those responsible.
- 3.4.20** The Code of Conduct for employees makes it clear that it is a serious criminal offence for any employee to corruptly receive, or give, any gift, reward or advantage for doing, or not doing, anything, or showing favour or disfavour to any person while the employee is acting in his or her official capacity (see paragraph 10.1).
- 3.4.21** If an allegation is made then the employee(s) concerned will be required to demonstrate that any such gifts or rewards were not corruptly obtained and that acceptance of them does not contravene the Company's Financial Regulations. It is normal practice for any such allegation of fraud or corruption to be referred to the Police.
- 3.4.22** All incidents of fraud, attempted fraud or where possible fraudulent activity has been identified shall be formally recorded in the Company's Fraud Register, including details of the nature and extent of the fraud and any implications for the Company's internal control system.
- 3.4.23** The Company Secretary is responsible for maintaining the Fraud Register and ensuring that major instances of fraud and corruption, as well as any loss occurring as a result of theft from the Company are reported to the Audit Committee, and the Board, as and when they occur.
- 3.4.24** Where internal or external audit report instances of serious control failure/weakness the Audit Committee is responsible for ascertaining the extent to which the Company has been exposed to the risk of material fraud and reporting its findings to the Board.
- 3.4.25** The Chair of the Audit Committee has an important role in overseeing the reporting and investigation of suspected or actual fraud or impropriety and to ensure that all significant losses have been

properly investigated and that the Company's Internal and External Auditors are notified.

3.5 Training

- 3.5.1** The Company recognises that the success of its policies and its general credibility will depend largely on the effectiveness of communication, programmed training, and responsiveness of employees throughout the Company.
- 3.5.2** The Company supports management in the provision of ongoing financial awareness training at both a corporate and service area level as well as the mandatory training of employees dealing with finance as required by the Financial Regulations.
- 3.5.3** An Anti Fraud Training and Awareness Policy shall be produced to support the Anti-Fraud and Corruption Framework and raise awareness amongst employees and Board Members which established the processes in place to:
- Provide training to senior managers on the action to be taken if they suspect a fraud;
 - Train staff responsible for co-ordinating complaints on how to assess whether the complaint may be alluding to an irregularity/fraud as well as the actions they are to take on the receipt of such a complaint;
 - Train Board Members on their role and the opportunities to detect fraud, particularly in relation to asking for additional information and/or advising the Chair;
 - Raise awareness of the Anti-Fraud and Corruption Framework and associated policies during the staff induction process; and
 - Annually review the Company's anti-fraud and disciplinary policies, giving consideration to actual or attempted frauds occurring during the year.
- 3.5.4** Training requirements should be incorporated into the employee development process for relevant employees.
- 3.5.5** Levels of training and education will differ depending on the needs of staff and available resources. Methods of improving awareness should include briefings to specific service teams and member groups, workshops for teams and articles in staff newsletters to create more general awareness.